DEPARTMENT OF DEFENSE

COMPETITIVE SOURCING PROGRAM

2003 Air Force A-76 Symposium
Southbridge, MA
August 5, 2003

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Clinton Administration Impacts on A-76

- **National Performance Review**
  - ✓ Mandated Agencies to Reduce Civilians
- **Federal Activities Inventory Reform (FAIR) Act**
  - ✓ DoD consolidated inventory reporting
- **Defense Reform Initiative Decision (DRID) 20**
  - ✓ 1998 Inherently Governmental Review
- **DoD Competitive Sourcing Program**
  - ✓ Agency Competition Plans Directed by DepSecDef
- **DoD Competitive Sourcing Interim Guidance**
  - ✓ **<u>May use strategic sourcing to meet or exceed competitive sourcing plans</u>**

Bush Administration Impacts on A-76

- **President's Management Agenda (PMA)**
  - ✓ **Objective**
    - Improve management and performance of Federal Government
  - ✓ **Five Government-wide Initiatives**
    1. Strategic Management of Human Capital
    2. Competitive Sourcing
    3. Improved Financial Performance
    4. Expanded Electronic Government
    5. Budget and Performance Integration

Bush Administration Impacts on A-76

OMB

- **OMB Approach to Competitive Sourcing**
  - ✓ **OMB Sets Numeric Goals**
    - Competitive sourcing goals based on agency inventories
    - Agencies required to compete 15% of inventory by FY 2003 towards a 50% competition goal
    - Agencies not permitted to use strategic sourcing (internal reengineering) in lieu of competition to meet competition goals
  - ✓ **OMB Drops Numeric Goals**
    - Agency-OMB agreed upon Competition Plan incorporates an agency's numeric goal
    - Executive branch management scorecards now used to track execution of Competition Plans
      - ✓ DoD Competitive Sourcing Scorecard now "yellow"

Bush Administration Impacts on A-76

DoD

- DoD Targets Based On FY 2000 Inventory (452K positions)
  - ✓ 15% Goal = 67,800 (72K on track for FY 2003 completion)
  - ✓ 50% Goal = 226K positions (TBD)
  - ✓ OMB's position on strategic sourcing eliminated DoD's need for strategic sourcing policy (i.e., no longer OSD policy)
- OSD Business Initiative Council (BIC)
  - ✓ Evaluated Alternatives To A-76
  - ✓ Pioneer Projects Evolved and Approved by OSD and OMB
    - Cost Comparison Waivers
    - New Requirements
    - Divestitures
  - ✓ Directed Core Competency Review
  - ✓ Issued Management Initiative Directive (MID) 907 to meet 226K

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Competitive Sourcing Program

Summary of Execution Trends (FY 97 through August 2003)

- Completed Competitive Sourcing Initiatives = 1,105 (80,485 positions)
  - ✓ **453 Cost Comparisons**
  - ✓ **603 Direct Conversions**
  - ✓ **49 Streamlined Cost Comparisons**
- Completion Times
  - ✓ **36 months for Multi-function Cost Comparisons**
  - ✓ **20 months for Single-function Cost Comparisons**
  - ✓ **20 months for Streamlined Cost Comparisons**
  - ✓ **13 months for Direct Conversions**
- Small Business Awards
  - ✓ **71 Cost Comparisons**
  - ✓ **181 Direct Conversions**
  - ✓ **1 Streamlined Cost Comparison**

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Competitive Sourcing Program

Summary of Execution Trends (FY 97 through August 2003)

- Completion Data for 453 Cost Comparisons impacting 67,040 positions
  - ✓ **33% Contract Decisions**: 151 cost comparisons -- 26,343 positions (39%)
  - ✓ **67% In-house Decisions**: 302 cost comparisons -- 40, 697 positions (61%)
  - ✓ 15% Cost Comparisons Resulted in "No Satisfactory Source"
    - 69 cost comparisons impacting 9,619 positions
    - 23 % of In-house Decisions
  - ✓ **174 Large Cost Comparisons** (100+ positions)
    - 36% Contract Decisions & 64% In-house Decisions
  - ✓ **279 Small Cost Comparisons**
    - 32% Contract Decisions & 68% In-house Decisions
  - ✓ **182 Disputes & 17 Reversals**
    - 153 Administrative Appeal Process Led to 12 Reversals
    - 29 GAO Bid Protests Led to 5 Reversals
  - ✓ **34% Average Competition Manpower Savings**
  - ✓ Civilian Reductions in Force (RIF) Resulting from A-76

New OMB Circular A-76

Performance of Commercial Activities

May 29, 2003

OMB Circular A-76

Eliminated Requirements

- **Direct Conversions**
- **Conditions permitting government performance of CAs**
- **Conditions permitting contract performance of CAs**
- **Requirements for competition of Interservice Support Agreements Requirement for MEO team to develop**
  - ✓ **As-Is Organization**
  - ✓ **TPP**
  - ✓ **QASP**
  - ✓ **Transition Plan to contract or ISSA performance**
- **Technical Leveling of MEO**
- **Independent Reviews**
- **Administrative Appeal Process**
- **Post-MEO Performance Review**

OMB Circular A-76
New Format & Terms

- **Three-Page Circular with Attachments**
  - Attachment A – Inventory
  - Attachment B - Public-Private Competition
  - Attachment C - Calculating Public-Private Competition Costs
  - Attachment F –Acronyms and Definition of Terms
- **Change to Key Terms:**

NEW TERM	OLD TERM
Competitive Sourcing Official	9.a. Official
Standard Competition	Cost Comparison
Streamlined Competition	Streamlined Cost Comparison, Direct Conversion
Agency Performance	In-house Performance
Agency Tender	In-house Offer
Agency Cost Estimate	In-house Cost Estimate
Agency Tender Official	MEO Certifying Official
Fee-for-Service Agreement	Interservice Support Agreement
Public Reimbursable	ISSA Provider

OMB Circular A-76

- **Purpose**
  - ✓ Establishes federal policy for the competition of commercial activities
- **Supersedes**
  - ✓ OMB Circular Number A-76 (Revised 1999)
  - ✓ Supplemental Handbook to OMB Circular A-76 (Revised 2000)
  - ✓ OFPP Policy Letter 92-1, Inherently Governmental Functions (23 Sep 92)
- **Authority**
  - ✓ Reorganization Plan No. 2 of 1970 (31 U.S.C. § 1111)
  - ✓ Executive Order 11541
  - ✓ Office of Federal Procurement Policy Act (41 U.S.C. § 405)
  - ✓ Federal Activities Inventory Reform Act of 1998 (31 U.S.C. § 501 note)

OMB Circular A-76
Comparison of Old vs New Policy

NEW CIRCULAR

- ***The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition.***

OLD CIRCULAR

- ***Achieve Economy and Enhance Productivity***
  - ✓ Competition enhances quality, economy, and productivity
  - ✓ If private sector performance of a commercial activity is permissible, a cost comparison between government and private sector performance is required
- ***Retain Governmental Functions In-House***
  - ✓ If functions are so intimately related to the public interest, government performance is mandated and the functions are inherently governmental
  - ✓ Inherently governmental functions are not in competition with the private sector
- ***Rely on the Private Sector***
  - ✓ The government shall rely on the private sector for commercial services and products

OMB Circular A-76
Policy (Summarized)

FEDERAL AGENCIES SHALL:

1. **Perform inherently governmental activities with government personnel**
2. **Use streamlined/standard competition to determine if govt may perform CA**
3. **Apply the FAR and circular for streamlined and standard competitions**
4. **Comply with procurement integrity/ethics/ standards of conduct/18 USC § 208**
5. **Designate CSO in writing with agency responsibility for implementing circular**
6. **Require full accountability of officials in annual performance evaluations**
7. **Require accountability of officials in annual performance evaluations**
8. **Centralize oversight, allocate resources, and post best practices on SHARE A-76!**
9. **Develop government cost estimates using COMPARE, not agency budgetary costs**

OMB Circular A-76
Scope (Summarized)

1. **Except as otherwise provided by law, circular applies to all agencies (executive departments in 5 U.S.C. § 101 and independent establishments in 5 U.S.C. § 104)**
   - **Except as provided by law, applies to military departments (5 U.S.C. § 102)**

2. **CSO may exempt a commercial activity performed by government personnel from performance by the private sector (Atch A)**

3. **CSO (without delegation) must receive prior written OMB approval to deviate from this circular and include deviations in public announcements and solicitations**
   - **Deviations encouraged to explore alternatives to standard or streamlined competitions (public-private partnerships, public-public partnerships, high performing**

OMB Circular A-76
Scope (Summarized)

4. **Streamlined/standard competition not required to contract a new requirement or segregable expansion, or to continue contract**
   - **Streamlined/standard competition required to determine if government personnel should perform a a new requirement, segregable expansion, or contracted commercial activity**

5. **CSO identifies competition savings via OMB Circular A-11, *Preparation, Submission, and Execution of the Budget***

6. **Circular is not to be construed to alter any law, executive order, rule, regulation, treaty, or international agreement**

7. **Do not interpret noncompliance as a substantive or procedural basis to challenge action/inaction except as stated in Atchs A & B**

OMB Circular A-76
Effective Date & Transition

- **Effective Date** May 29, 2003
  - ✓ Upon publication in the *Federal Register* and shall apply to inventories required, and streamlined and standard competitions initiated, after the effective date

- **Transition in-progress A-76 competitions from old to new process**
  - ✓ Streamlined cost comparisons and direct conversions
    - Must convert to streamlined or standard competitions
  - ✓ Cost comparisons if solicitations issued after 29 May 2003
    - Must convert to standard or streamlined competitions
  - ✓ Cost comparisons if solicitations issued prior to 29 May 2003
    - Use old circular or convert to standard or streamlined competitions
  - ✓ Cannot “selectively” combine requirements from new and old

Implementation Strategy

Unions & Implementation

- Terms of the circular are not subject to local bargaining
  - ✓ Reason: The circular is a government wide regulation
  - ✓ Circular policies and procedures cannot be changed via local bargaining

- Impact and Implementation (I&I) Bargaining
  - ✓ Limited to “local” matters

- To avoid delays in implementation
  - ✓ Components should begin I&I of the circular NOW
  - ✓ Expand I&I when DoD and component implementing guidance developed at a later date

COMPONENTS DO NOT HAVE THE OPTION TO CONTINUE USING OLD CIRCULAR

OMB Circular A-76
DoD Implementation

- **First Step**
  - ✓ SECDEF delegation of OSD CSO
    - Deputy Under Secretary of Defense (Installations & Environment)
- **Second Step**
  - ✓ OSD CSO delegation authority to Component CSO (CCSO) as permitted by circular
- **Third Step**
  - ✓ OSD CSO deviation request to OMB
    - For in-progress initiatives continuing under old circular
    - To further delegate certain CSO requirements where further delegation is not permitted by the circular
- **Fourth Step**
  - ✓ Final determination of OSD pilot competitions
    - No public announcements until DoD has FY04 Defense Authorization & Appropriation Acts
  - ✓ OSD competitive sourcing steering group oversight of pilot competitions

OMB Circular A-76

OSD CSO Non-Delegable Requirements

- **Circular**
  - ✓ Request OMB deviations
  - ✓ Application of Circular during war/mobilization
- **Attachment B, Public-Private Competition**
  - ✓ Approve cancellation of streamlined & standard competitions
  - ✓ Request extension of time limit for streamlined competitions from OMB
  - ✓ Notification of OMB when standard competition exceeds time limit
  - ✓ Request performance periods in excess of 5 years
  - ✓ Approve trade-off source selection process for standard competitions
  - ✓ Approve terminations based on reasons other than failure to perform

OMB Circular A-76

CSO Delegable Requirements

- **Circular**
  - ✓ Exempt commercial activities from private sector performance
  - ✓ Identify competition savings
- **Attachment A, Inventory**
  - ✓ Justify government performance of inherently governmental activities
  - ✓ Approve use of Reason Code A
- **Attachment B, Public-Private Competition**
  - ✓ Appoint competition officials
  - ✓ Approve use of performance bond in solicitation
  - ✓ Approve use of award fee for all service providers in solicitation
  - ✓ Approve amending solicitation closing date to all prospective providers
  - ✓ Evaluate CO's written determination and assess course of action when no satisfactory sources respond to solicitation

OMB Circular A-76

DoD Automation Requirements

- **COMPARE**
  - ✓ DoD is executive agent for federal government
- **SHARE A-76!**
  - ✓ DoD Information Website for lessons learned & A-76 links
  - ✓ Other agencies responsible for their information and links
- **CAMIS**
  - ✓ DoD execution tracking system
  - ✓ Other agencies must develop their own systems
  - ✓ Fields must be adjusted for new process
- **Clinger-Cohen**
  - ✓ Information security requirements
    - Funding and actions required at the OSD level
    - Interim measures being maximized

OMB Circular A-76

OMB Training

FREE

OMB Conferences
in Washington DC

Sponsored by OMB (Angela Styles)

Next Conference: October (pending)

- Agenda/Speakers Determined by OMB and A-76 POCs from Federal Agencies
- Key note speaker is Angela Styles
- Other speakers from Other Agencies and DoD as well as selected

OMB Circular A-76
DoD Training

- **Lack of A-76 training has interest of Congress and OSD**
  - ✓ ODUSD(I&E)
  - ✓ Director of Defense Procurement
  - ✓ Defense Acquisition University President
- **DoD Competitive Sourcing Office and DAU discussions**
  - ✓ Started last year
  - ✓ Focus: Develop A-76 training standards for consultants
- **Air Force and DAU discussions**
  - ✓ AF working with DAU in initial design and development of DAU classes
    - Potential Navy interest and funding
  - ✓ DAU to establish 5-7 A-76 classes within one year
    - Orientation
    - A-76 Overview
    - Preliminary Planning
    - Agency Tender Development
    - Implementation of Agency Tender Decision

Attachment A

Inventory Process

OMB Circular A-76
Inventory Process

- **Inventory Requirements**
  - ✓ Three Inventories & Summary Due Annually to OMB by June 30
    1. FAIR Act Commercial Activities
    2. Non-FAIR Act Commercial Activities
    3. Inherently Governmental
- **Categorize Activities as Inherently Governmental or Commercial**
- **Commercial Activity Reason Codes**
  1. Restricted from Contract Performance by CSO Written Determination
  2. Is Suitable for a Streamlined or Standard Competition
  3. Is Subject to an In-Progress Streamlined or Standard Competition
  4. Is Performed by Government Personnel as a result of

DoD Inventory Data

FY2003 Total Inventory
2,729,078

Commercial Inventory
1,165,430

Military 636,259
Foreign Nationals
52,613
Depot Mx 55,597

FAIR Act Inventory
420, 061

Inherently Governmental
Inventory
1,563,648

Military 1,389,917
Foreign Nationals 917
Depot Mx 1,615

FAIR Act Inventory
171,199

Total DoD FAIR Act Inventory
591,260

OMB Inventory Data

Basis for Competitive Sourcing Goals

Total Inventory
1,609,000

Commercial Inventory
858,000

Inherently Governmental Inventory
751,000

Exempt From Competition
442,000

Available For Competition
416,000
26% of Total

Attachment B

Public-Private Competition

Public-Private Competition
Preliminary Planning

- **Required Steps**
  - ✓ Scope of Competition
  - ✓ Grouping for Competition
  - ✓ Workload Data and Systems
  - ✓ Baseline Costs
  - ✓ Type of Competition
  - ✓ Competition Schedule
  - ✓ Roles & Responsibilities of Participants
- **OSD Implementation & Legal Determinations**
  - ✓ Is congressional notification required prior to preliminary planning?
  - ✓ When does DoD funding start the 2-4 year clock?
  - ✓ Is consistent application across DoD Components necessary?
    - Preliminary planning
    - Congressional notifications
    - Public announcements

OMB Circular A-76
Competition Officials

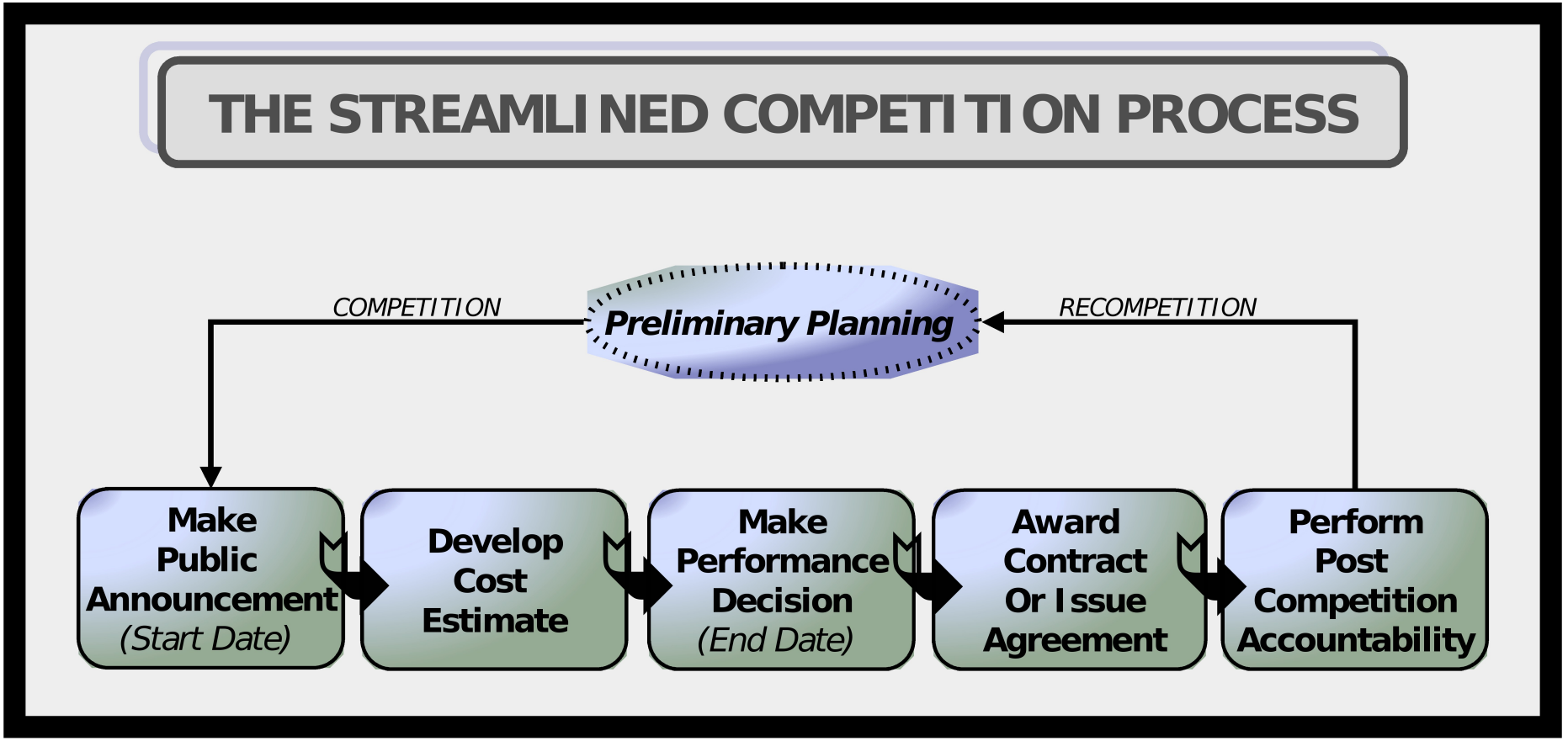
- **Agency Tender Official**
  - ✓ Skill set required and reapplied
  - ✓ Trust of employees
  - ✓ Resource authority
  - ✓ Installation Commanders???
- **Human Resource Advisor**
- **Contracting Officer**
  - ✓ Should acquisition requirements be performed at installations?
- **PWS Team leader**
- **Source Selection Authority (SSA)**
  - ✓ Cost Realism requires A-76 costing expertise be available to SSA
    - Should IROs be A-76 Cost Advisors to SSAs?

Public-Private Competition

Required Public Announcements

- Start Date
  - ✓ Public Announcement Date
  - ✓ Congressional Notification Date?
- End Date
  - ✓ Performance Decision Date
  - ✓ Tentative vs Final Decision
- Cancellation of Competition
  - ✓ **OSD CSO approval required**
- Cancellation of Solicitation
  - ✓ Does not cancel competition
  - ✓ Must consider time limits

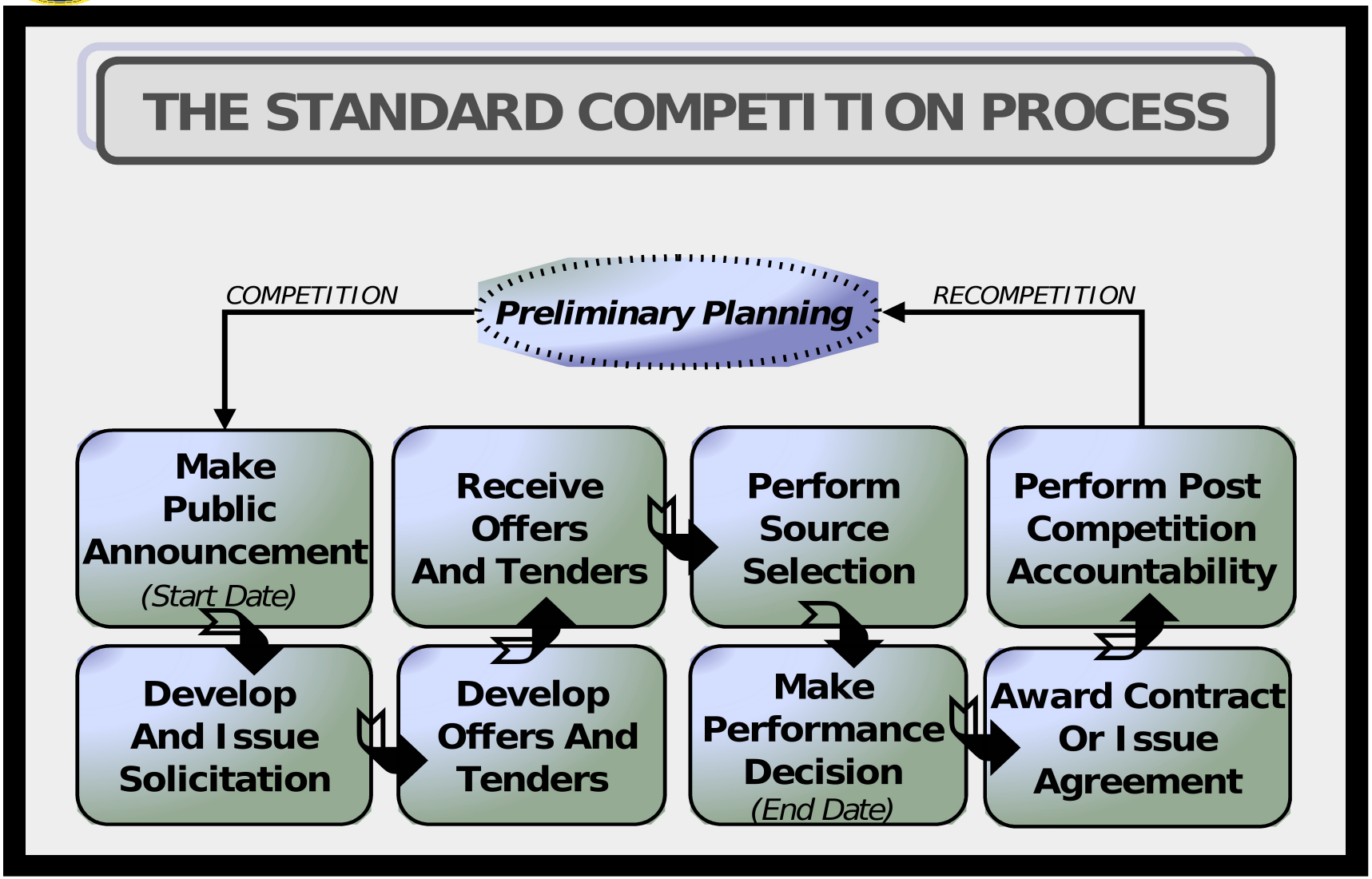
Public-Private Competition



Public-Private Competition_
Streamlined Competition

- **Time Limit of 90-135 Calendar Days**
  - ✓ To exceed time limit OSD CSO must request OMB deviation
- **MEO or Incumbent Organization**
- **Solicitation or Market Research**
- **Streamlined Competition Form (SLCF)**
  - ✓ Calculates Costs for Agency, Private Sector/Public Reimbursable
  - ✓ Required Certifications
  - ✓ Required Firewalls
- **Public Announcement of Performance Decision**
- **Implementing the Performance Decision**

Public-Private Competition



Public-Private Competition_
Standard Competition

- **Time Limit of 12-18 Months**
  - ✓ Waiver permitted-- if prior to public announcement
    - CSO signs waiver based on complexity of competition
    - Waiver is limited to 6 months
    - OMB is provided a copy
  - ✓ If waiver exceeded, CSO must notify OMB in writing
- **Teams**
  - ✓ Designations After Public Announcement
    - PWS
    - MEO
    - SSEB

Public-Private Competition_
Standard Competition

- **Solicitation Requirements**
  - Review & Release of Information
  - FAR Provisions
  - Acquisition Process & Source Selection Provisions
  - Unique Provisions to Agency Tender
  - Solicitation Closing Date
  - Compliance Matrix
  - Performance Periods
  - Government-Furnished Property
  - Common Costs
  - Performance Bond
  - Incentive and Award Fees
  - Phase-in Plan
  - Quality Control Plan

- **Quality Assurance Surveillance Plan**

Public-Private Competition_
Standard Competition

- **Agency Tender**
  - Development
    - MEO
    - Agency Cost Estimate
    - Quality Control Plan
    - Phase-in Plan
  - Submission
  - Changes
  - Procurement Sensitivity
  - Quality Control Plan

- **Private Sector Offers**

- **Public Reimbursable Tenders**

- **No Satisfactory Private Sector**

Public-Private Competition_
Standard Competition

- **Source Selection Processes**
  - ✓ Sealed Bid Acquisition
  - ✓ Negotiated Acquisition
    - Lowest Price Technically Acceptable
    - Phased Evaluation
    - Tradeoff
      - Low Cost Performance Decision
      - Other Than Low Cost Performance Decision
- **Special Considerations During Source Selection**
  - ✓ Evaluation of Offers and Tenders, Use of COMPARE
  - ✓ Exchanges with Sources
  - ✓ Deficiencies in an Offer or Tender
  - ✓ Price Analysis & Cost Realism of Cost Proposals & Estimates

Public-Private Competition_
Standard Competition

- **Performance Decision**
  - ✓ Certification
  - ✓ End Date of Competition
  - ✓ Public Announcement of Performance Decision
  - ✓ Debriefing
  - ✓ Release of Certified Standard Competition Form
  - ✓ Release of Agency and Public Reimbursable Tenders
  - ✓ Implementing the Performance Decision
    - **Awarding the Contract and the Right of First Refusal**
    - **Issuing the Letter of Obligation to the MEO Official**
    - **Issuing the Fee-For-Service Agreement to a Public Reimbursable Provider**

Streamlined and Standard Competition

Post Competition Accountability

- **Best Practices and Lessons Learned (Share A-76!)**
- **Execution Tracking (CAMIS)**
- **OMB Quarterly Reporting (CAMIS Reports)**
- **Performance Monitoring**
- **Option Years of Performance**
- **Follow-on Competition**
- **Terminations**

Public-Private Competition_
Contesting Performance Decisions

- ✓ **Standard Competitions**
  - ➢ **Governed by FAR Subpart 33.103**
- ✓ **Streamlined Competitions**
  - ➢ **Not Permitted**

Attachment C

Calculating Public-Private Competition Costs

Calculating Public-Private Competition Costs

- **Compliance with Attachment C Required**
  - ✓ **DoD A-76 Costing Manual**

- **COMPARE Requirement for All Agencies**
  - ✓ Two Phased Software Update
    - **Phase I (Available)**
      - Majority of Changes Automated
      - Some Required Written Workarounds
    - **Phase II (Availability TBD)**
      - Automation of Changes Completed
  - ✓ Future Features for FY 2004
    - Baseline Costing Calculation
    - Export to Tracking Systems (DCAMIS)

QUESTIONS?

DEPARTMENT OF DEFENSE
Competitive Sourcing Program

VISIT
SHARE A-76!
The DoD A-76 Knowledge Management Web Site at
emissary.acq.osd.mil/inst/share.ns